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THE JOURNAL

OF

POLITICAL ECONOMY

MARCH—1900

THE GENERAL SAVINGS AND OLD-AGE PENSION BANK OF BELGIUM.

THE time is not very remote when the idea that the working-man could not only satisfy his immediate wants but make some provision for the future was scarcely entertained. At the present time it is not going too far to say that much of the best efforts now being put forth for the improvement of the welfare of the working classes has this object in view.

The present century, and particularly its last half, has seen the creation and rapid development of provident institutions of all sorts. The movement for workingmen's insurance has swept over Europe, resulting in the enormous extension, either under the auspices of the state or through voluntary efforts of this form of provision for the future. Raiffeisen, Schulze-Delitzsch, people's banks, co-operative credit, and kindred institutions, have been organized in great numbers throughout Europe. Savings banks, so organized as to appeal directly to the poorer classes, have progressed with remarkable rapidity.

In this movement the state has felt compelled to play a part. In addition to assuming a more or less strict regulative control

over privately organized institutions, most of the important European nations have supplemented these efforts by themselves creating general savings banks, for the most part organized under, and administered by, their postal departments. Among these the Belgian bank is pre-eminently worthy of attention. As M. de Foville in his report on Savings Banks for the Paris Exposition of 1889 says, this bank is an institution *sui generis*. Its peculiarity and feature of importance consists in the fact that not only is it one of the oldest and most prosperous of state savings banks, but that it has gradually taken to itself other functions until it has become a great central institution ministering to the financial wants of the poorer classes in a great variety of ways. It is thus, at the present time, a general savings bank; it furnishes a system of old-age and invalidity insurance; it is the central agent in granting credit to the farming classes and certain co-operative associations of workingmen; it provides life insurance, and is the institution furnishing the funds for societies which are now doing so much for the provision of improved houses for the working classes. This enumeration shows the important part that it is playing in the movement for social reform in the country. In the study of its multifarious operations there is therefore offered the opportunity of examining in the most direct way the practical efforts now being made in various directions for the improvement of the condition of the laboring classes in Belgium, and the important results that are being accomplished.

The general outline of the history of this institution can be briefly given. Oddly enough the branch relating to the provision of old-age and invalidity pensions was the first to be created. The origin of the bank is found in the law of May 8, 1850, which created a *caisse générale de retraite*. Fifteen years later, by the law of March 16, 1865, a general savings bank was created and joined to it. Since then these two services have constituted separate branches of a single institution under the name of *Caisse générale d'épargne et de retraite*. No further change as regards the field of its operations was made until 1884,

when a law promulgated, April 15 of that year, authorized the bank to employ a part of its funds in loans to farmers or agricultural societies. A new law, enacted June 21, 1894, extended this service by authorizing the loan of money in a somewhat similar way to farmers' co-operative credit societies. Prior to this last act a still further extension of the activities of the bank was decreed by the act of August 9, 1889, which gave to the bank the very important power of loaning money to societies having for their purpose the erection or renting of sanitary and cheap houses for the working classes. Finally by the law of June 21, 1894, the bank was authorized to create a life insurance department.

That we may gain a clear idea of the character of this institution it is desirable to describe separately the work performed by it in each of its various capacities. Fortunately for the investigator, as well as for the efficiency of the management of the bank, the accounts of the different operations are kept rigidly distinct, and it thus becomes an easy matter to study the results achieved by each service.

Savings department.—Though not the first created, the savings department constitutes the central feature of the institution and logically requires first consideration. The savings bank proper, as has been stated, was organized by virtue of the law of March 16, 1865. Though similar in general purpose to the postal savings banks of other European countries, this institution yet possesses features differentiating it radically from these banks. In the first place, though making use of the post offices for its local branches, it cannot, strictly speaking, be called a postal savings bank. It is not placed under the administration of the department of posts and telegraphs, and in fact it was not until four years after its creation, or in 1869, that the use of the post offices as sub-stations was permitted to it. In addition to the use of these offices it also makes use, in a similar way, of the local branches of the national bank and the various registration bureaus. The postal system thus plays no part in the bank other than that use is made of its offices as local branches of the bank.

As far as possible the bank has been given an independent organization. The administration of its affairs is entrusted to a general council composed of twenty-five members appointed by the king. This body has only a general oversight of the operations of the bank. From among its members the king appoints an administrative council of six members and a chief executive or general director in whose hands is placed the actual administration of the bank's business.

The provisions in regard to the making of deposits, the rate of interest allowed, etc. are as follows: According to the law of 1865 single deposits were required to be of at least one franc in amount. In 1881, however, the use of savings slips (*bulletins d'épargne*) were authorized, on which depositors could affix special stamps to the total value of one franc, when they were accepted as deposits of that amount. The special purpose of this device was to encourage saving among the school children. No limit was placed upon the amount of deposits that could be made either at a single time or to the credit of a single account. This is a marked and fundamental departure from the policy pursued by France and other nations in their state savings banks.

The objection to large deposits is that an undue use is thus made of the bank for investment purposes by the wealthier classes; that money in this way is withdrawn from private enterprise which should be in active use through the ordinary banking institutions, and that the security of the bank is endangered in times of crisis by the sudden withdrawal of large sums. To guard against this the usual practice has been to limit the amount that can be deposited at one time or to the credit of the same account. Belgium, it would seem to us, has pursued a much better system in protecting itself against these dangers.

Security against a panic is obtained by the requirement of a notice of six months for the withdrawal of sums of over 3000 francs, of two months for sums from 1000 to 3000 francs, of one month for those from 500 to 1000 francs, and of fifteen days for those from 100 to 500 francs. Sums less than 100 francs can be

withdrawn without prior notice, with the condition, that this privilege cannot be exercised more than once in the same month. It is of course optional with the bank to dispense with this requirement of notice. In the second place the bank can, after due notice, reduce any account to 3000 francs by returning the surplus or investing it for the benefit of the owner in state bonds. Finally, and most effective of all, the rate of interest allowed on large deposits is, as will be seen in the next paragraph, lower than that given on small accounts.

The law of 1865 very properly, instead of itself fixing the rate of interest to be paid on deposits, left its determination to the general council with the authority to change the rate from time to time as necessitated by the productiveness of the bank. In practice the rate has been maintained at the uniform figure of 3 per cent. Interest is calculated and added to the principal on December 31st of each year. The 3 per cent. rate at first applied to all accounts no matter what their amount. In 1881, however, the administration, while maintaining the rate on sums of 20,000 francs and less, reduced the rate to 2 per cent. for any surplus over this amount. In 1886 this limit was lowered so that the 2 per cent. rate applied to the surplus over 5000 francs, and in 1894 still further to the surplus over 3000 francs.

In making this distinction between large and small accounts an important exception is made in the case of the deposits of mutual aid and farmers' co-operative credit societies. For these organizations 3 per cent. is allowed on all of their deposits. In case such accounts exceed 20,000 francs, however, the bank has the privilege of converting the excess over this amount into public bonds for the benefit of their owners. This exception in the case of these two classes of societies, it should be observed, works to the mutual advantage of both parties. It is a source of income to the bank as the expenses of administration of large accounts are relatively small, and at the same time the societies have a safe custodian of their funds and realize a very fair rate of interest on such funds as they have to keep on hand to meet current demands.

From the moment of its creation in 1865 the bank has constantly advanced in regard to the extent of its operations. The following table, in which are given the most important figures concerning the number of depositors, the amount of deposits, etc., shows how steady has been this progress and especially its rapidity during recent years :

Year	Number of accounts	Amount on deposit Dec. 31 (francs)	Average value of accounts (francs)
1865	803	529,632	656
1870	52,346	19,620,727	375
1875	106,312	44,857,001	422
1880	200,565	125,098,287	624
1885	444,087	189,061,089	426
1890	731,057	325,415,412	445
1891	800,074	333,428,732	417
1892	869,947	351,308,338	404
1893	960,468	390,181,775	406
1894	1,053,699	427,317,065	406
1895	1,145,408	453,429,304	396
1896	1,238,601	481,160,337	388
1897	1,377,643	532,081,819	386
1898	1,514,810	564,829,271	373

This table, when one takes into consideration the smallness of the population of Belgium, furnishes a really remarkable exhibit of the extent to which economy is practiced by the masses in that kingdom. In 1885 there were 7.5 accounts for every 100 of the population of the country; in 1890, 11.8 accounts; in 1895, 17.9; and in 1898, 22.9, a showing that would almost indicate one account for every family. This proportion, moreover, as can be seen is constantly rising. The number of persons having accounts is increasing at the rate of one hundred thousand or more yearly and the amount of their deposits by from 25 to 50 million francs.

In the face of these figures it is a matter of vital importance to determine the character of the people making use of the bank. The purpose of a state savings bank is to furnish facilities for the saving of small sums which otherwise would in all likelihood be dissipated by their owners. The moment that it goes beyond this and attracts to itself sums of money which would

have been deposited with other financial institutions, or invested in industrial or commercial enterprises, instead of proving a benefit to the country, it is productive of positive evil. In aggregating the small savings it creates capital. In receiving large deposits, while it does not exactly lessen capital, it lessens its energy and effective utilization; and at the same time tends to diminish the very essence of progress, the industrial enterprise of the people.

These considerations have been fully appreciated by the administrators of the Belgian bank and there is every reason to believe that the enormous increase in savings shown by the table represents a true increase in savings on the part of the wage earning classes. The last column shows that the average value of the accounts is steadily diminishing. It will be remembered that in pursuance of the recent action of the managers of the bank but 2 per cent. interest is now paid on deposits in excess of 3000 francs. This has had the effect of decreasing the number of large accounts. In 1894, 2.3 per cent. of the accounts were for sums over this amount as against 1.2 per cent. in 1898. In the latter year, 42.2 per cent. of the accounts had to their credit less than 20 francs, 19.4 per cent. from 20 to 100 francs, 18.7 per cent. from 100 to 500 francs, 6.9 per cent. from 500 to 1000, 6.9 per cent. from 1000 to 2000 francs, and 4.9 per cent. from 2000 to 3000 francs.

As regards the occupations of depositors, the records of the bank show that there is no doubt that it accomplishes its object of limiting its operations chiefly to the laboring classes. Thus the report for 1898 shows that of 86,136 new accounts opened by adults examined for this purpose 32,847 were made by employees in manufactures, mining, or trade, 13,615 by day and farm laborers, and 8491 by domestics, or a total of 54,953 by the working class proper. Of the remaining 31,183, 15,311 were by housekeepers and persons exercising no profession, the greater number undoubtedly belonging to the class of housekeepers, as 12,854 of this class were females; 6102 by officials and clerks, 965 by teachers, 593 by others exercising a liberal profession, and 817 by proprietors of establishments.

During this year, and not included in the above figures, 124,352 new accounts were opened to the credit of minors. This large number is due to the great extent to which savings by school children has been developed in Belgium. It is a very general practice to give accounts at the savings bank as prizes to the students, and, within recent years, a movement has gained considerable headway for providing, partly at the expense of the commune or city and partly through private philanthropy, every child when born with an account at the bank of one franc with the hope that the parents will continue to make additional deposits for the child's benefit.

In determining the rate of interest to be allowed upon deposits by a state savings bank, the guiding principle should be that the bank should at all hazards be self-supporting. Thanks to the great choice in kinds of investments allowed to the administrators of the bank, the Belgian institution has, during its over thirty years of existence, not only been able to pay all of its operating expenses and 3 per cent. interest on deposits, but has besides accumulated a considerable reserve fund, and since its organization distributed quinquennially a dividend among its depositors. This work has been accomplished absolutely without sacrifice on the part of the state.

This result has been due not only to the skill with which investments have been made, but to the fact that a positive source of profit is found in a number of the operations carried on by the bank. The fact has already been mentioned that the large deposits of mutual aid and farmers' co-operative credit societies give to the bank a considerable sum of money upon which it can earn more than 3 per cent. at but slight cost for administration. The law also provides that such public institutions as hospitals and bureaus of charity, and the provinces, communes, and cities may make use of the bank and its branches for the care of their moneys. That part of these funds which is in the nature of a permanent investment, and therefore not subject to immediate call, earns the regular rate of 3 per cent. The greater part of these deposits, however, consists of the money

which these bodies are obliged to keep on hand to meet current expenses. Upon this but $1\frac{1}{2}$ per cent. interest is paid. The bank has in this way a sum amounting to several million francs upon which it can earn a considerably higher rate of interest than it pays.

The bank is also enabled to make a net profit in several other ways. The payment of only 2 per cent. on the excess of deposits of individuals over 3000 francs leaves a margin for earnings on these sums. All accounts, moreover, concerning which no transaction has been had for thirty years are considered as abandoned and become the property of the bank. As the bank has now been in existence over thirty years it receives more or less in this way every year.

The excellent financial condition of the bank is shown by the following figures taken from the last annual report for the year ending December 31, 1898:¹ The gross earnings during the year were 17,674,914.54 francs. From this sum 15,814,783.51 francs was paid in interest, 1,091,225.95 francs went for operating expenses, and 214,974.90 francs for amortization, leaving a surplus of 553,930.18 francs which was carried to the reserve fund, which, with this addition, amounted on December 31 to 11,911,175.77 francs. This fund would have been two or three times this amount but for the system already alluded to by which a portion of the profits are divided every five years among the depositors.

The method and form of investment of the funds of a savings bank undoubtedly constitute the most important feature of its organization. The policy pursued in this respect determines the whole character of the institution. It is in this feature that the Belgium bank is unique among state savings institutions, and the reason why it merits the special interest and investigation on the part of the student of social institutions.

The French and other postal savings banks, as is well known, are required to invest all of their funds in bonds of the state or

¹ *Compte rendu des opérations et de la situation de la caisse générale d'épargne et de retraite, instituée par la loi du 16 Mars 1865, sous la garantie de l'état. Année 1898* (Brussels. 1899).

those enjoying a state guarantee. The result of this policy has been not only to decrease the earnings of the banks and therefore the rate of interest that they can afford to pay upon deposits, but to constitute a grave embarrassment and danger through the facility thus afforded to the state to borrow, and the enormous and rapidly increasing indebtedness the state is assuming toward the people. The government practically borrows from the people hundreds of millions of francs, the repayment of all of which may be demanded within a very short period of time. If, in case of a crisis, such a demand were made, the money could only be had by the savings bank selling the bonds in open market at a time when they would not produce anywhere near the amount given for them. An almost equal disadvantage of the exclusive investment of deposits in government securities lies in the withdrawal from circulation and the rendering inactive of large sums of money which should be invested in private capitalistic enterprises.

The Belgian legislators have succeeded in avoiding these dangers by boldly giving a far greater freedom than is usual to the administrators of the bank in the selection of the means of investing the bank's funds. The act of 1865 provided that the funds of the bank might be invested, not only in state bonds, but in the securities of the provinces, communes, and cities, in the obligations of Belgian companies, which for the five years immediately preceding had met all their engagements by means of their ordinary receipts, in loans on notes and real estate mortgages, and finally in the discount of bills of exchange and similar paper, and in the purchase of foreign state bonds. In fact, the bank is allowed to use a portion of its funds in most of the transactions permitted to ordinary commercial banks.

The provisions of the law of 1865, while giving great latitude in the matter of investments, have no other purpose in view than the safe and productive employment of the deposits. Beginning with the act of 1884, authorizing loans to the farming classes, an entirely new principle was introduced in the policy

of the institution, that by which the object sought in the investment of the funds was primarily the assistance of a social movement directed to the improvement of the condition of the laboring classes.

It is well recognized that the loan service of the ordinary commercial bank is of equal importance to that of its serving as the custodian of money, and there seemed to be no reason why this sphere of usefulness should be denied to a state bank. The General Savings Bank is a purely social institution for the benefit of the poorer classes. What more logical and suitable use could be made of the money coming from the people than in co-operating in the various movements for the improvement of their economic condition, the extent of whose operations could be greatly extended if more funds were placed at their disposal. The Belgian bank deserves the great credit of first recognizing this fact, and appreciating that its sphere of usefulness lay as much in the use of the money coming into its possession as in the mere act of facilitating its accumulation.

The experiment inaugurated in 1884 proving successful was subsequently extended in 1894, and in 1889 the still more important action was taken of permitting the loan of money to societies having for their object the provision of cheap and sanitary homes for the working classes. The character of the work done in this way is so peculiar and of such importance as to require a special description. Before doing so, however, the following statement, taken from the report of the bank for 1898, is given, in order to show the nature of the investments of all kinds of the bank at that date, and the relative importance of each class. In this statement the figures are given in round thousands of francs, as given in a recapitulation table of the official report.

Character of Investments	1893	1894	1895	1896	1897	1898
	In thousands of francs					
State bonds.....	150,092	157,220	158,706	152,485	176,417	188,514
Obligations of companies guaranteed by the state.....	24,297	23,668	23,316	34,291	34,307	34,252
Obligations of provinces and communes.....	38,246	46,023	54,154	62,444	69,595	76,099
Obligations of private companies.....	65,908	69,844	80,390	86,534	94,443	102,224
Loans on collateral.....	15,950	18,867	27,542	28,105	25,639	42,931
Loans on real estate mortgages.....	3,707	5,355	4,689	3,856	1,789	2,154
Discount of domestic paper....	27,157	29,545	36,691	43,539	45,719	48,078
Discount of foreign paper....	67,742	80,951	67,515	70,913	74,575	61,226
Agricultural loans.....	2,104	2,320	2,518	2,922	3,949	4,470
Loans for workmen's houses.....	5,346	8,350	11,789	15,477	19,950	25,363

This table presents a very interesting exposition of this part of the bank's operations, for in it can be traced the gradual change that is taking place in the policy of the institution. In 1898 the funds of the bank invested in government bonds represented but 32.22 per cent. of its total investments, as against 37.47 per cent. in 1893; that in securities guaranteed by the state also decreased, though but slightly, being 5.85 per cent. in 1898 and 6.07 in 1893. The amount invested in the bonds of the communes and provinces has steadily increased. In 1893 this form of investment represented 9.55 per cent. of the total, and in 1898, 13 per cent. A similar gradual increase is seen in the investment made in the obligations of private Belgian companies, the percentage for this class increasing from 16.45 in 1893 to 17.46 in 1898. Ten years preceding this last date, or in 1888, such investments represented but 6.63 per cent. of the total. The relative importance of the discount operations and loans on collateral or real estate has remained about the same during the period covered by the table. If a period of ten years be considered, however, a substantial decline in their importance can be seen. Together, these four classes represented, in 1888, 34.11 per cent. of the total investments, as against but 26.38 per cent. in 1898. The most interesting showing is that of the steady increase in the extent to which the bank

is investing its resources in the social undertakings of farmers' loans and for the construction of workingmen's houses. For the former the increase, though constant, has been slow, the change being from 0.53 per cent. in 1893 to 0.76 per cent. in 1898. In the case of loans for workingmen's houses, however, the amount so invested has increased nearly fivefold during the six years, and in 1898 represented the important sum of 25,363,000 francs. This figure represents 4.33 per cent. of all investments, the percentage for 1893 being but 1.33. To recapitulate therefore, the significant features of the bank's policy brought out by this table are that less and less dependence is being placed upon government securities for investment purposes, and that their place is being taken by the obligations of private companies of proved financial stability, and by loans to the farming classes, and particularly to societies for the construction of workingmen's houses.

From a consideration of the general operations of the savings bank, we now pass to a more particular examination of those two special features having for their purpose the assistance of social movements, which, as we have seen, are constantly playing a more important part in the bank's operations.

Loans for workingmen's houses.—The study of the question of workingmen's houses in Belgium led to the belief there, as elsewhere, that the principles upon which action should be attempted were: first, to render the workingmen owners of their own homes, and secondly, to make them achieve this result as far as possible through their own efforts. To do this, however, a machinery—some means by which the money for building could be secured—was necessary. In the United States and in Great Britain admirable institutions for this purpose have been developed in the building and loan associations and building societies of these countries. It was readily seen that if feasible the best action that could be taken was to strive for the development of similar institutions in Belgium. Unfortunately, the economic condition and character of the Belgium workingman was such that the spontaneous development of such societies in Belgium

could not be anticipated. Not only is the capacity for organization of the Belgian workingman less than that of English or American laborers, but the regular contributions possible to these were beyond his resources. Assistance of some sort, therefore, was necessary.

This was sought and found in the co-operation of the general savings bank. The law of 1889, which was passed at the demand of those who had for years given the subject the closest attention, thus in its general aspects provides for the encouragement of the organization of building societies after the British and American pattern by permitting the general savings bank to make loans to them on very advantageous terms as regards the rate of interest demanded and the facilities of repayment in small instalments.¹ The system thus created is in fact much the same as where our own building associations cannot secure sufficient funds for their operations through the contributions of their members and borrow from banks or other institutions.

The law of 1889 relates to a good deal more than the participation of the General Savings Bank, but it is difficult to give an account of the rôle played by that institution without giving at least a brief description of all of its general features. The law may be said to embrace three fairly distinct parts, those relating to : first, the creation of local committees of propaganda, or patronage, as they are called ; second, the regulation of the conditions under which money is loaned by the bank for building workingmen's houses ; and third, the institution of a system of life insurance in connection with the loan, so that in case of the death of a workingman while in the course of paying for a house, the insurance money will liquidate the balance of his indebtedness.

The creation of committees of patronage was necessary, as there was little likelihood that the workingmen themselves would take the initiative to any sufficient extent. These committees

¹ This law was afterwards supplemented by the law of July 30, 1892, the purpose of which was to extend to loan societies certain fiscal advantages until then enjoyed only by the building societies proper.

are organized by the local governments in the different communes and provinces, and consist of public-spirited individuals who are interested in social questions or are competent to pass upon the technical problems relating to building and hygiene. Members serve without pay. The duties of these committees are to determine the needs of their districts, and particularly to bring about the organization of companies either by capitalists or by the workingmen themselves for the construction of workingmen's houses.

It is with the second and third features of the law, however, or those relating to the action of the general savings bank, that we are here most interested. The essential feature of the system under which money is lent by the bank for workingmen's homes is that it is never lent directly to the workingmen, but is advanced to a society which stands as an intermediary between the bank and the actual beneficiaries. The system thus contemplates the creation of four kinds of societies—joint-stock and co-operative building societies, and joint-stock and co-operative loan societies. The distinction between these different societies is sufficiently shown by their names. The loan societies are similar in purpose to our building and loan associations, in that they do no building, but merely lend money to workingmen for this purpose; while the building societies themselves construct buildings either for rent or sale to workingmen. The difference between the joint-stock and co-operative form of organization is that the former are organized by public-spirited individuals, while the latter are due to the workingmen's own efforts. All comprehend the repayment of any advances made on the installment plan.

These different forms of organization are necessary in order to meet the requirements of different conditions, and their distinctions must be borne in mind, because a somewhat different system of making loans to them has to be adopted by the bank in each case. To joint-stock societies the law permits the lending of money to the extent of one half their capital stock subscribed and not paid in, three fifths of the value of the real estate security held by them for loans they have made to

workingmen, and, in case they are building societies, one half of the value of the property owned by them. Advances to the same extent can be made to co-operative societies, with the exception that no advance can be made on account of unpaid stock. The capital of co-operative societies consisting only of the money accumulated in small installments or dues does not offer sufficient guaranties for the security of loans in respect to it.

To make this system clear, let us take the example of a joint-stock loan company with a capital of \$100,000. Under the general law relating to joint-stock companies, 10 per cent. of the capital stock, or \$10,000 must be paid in. The general savings bank then advances an amount equal to one half the unpaid stock, or \$45,000. The company thus has immediately available \$55,000 for loaning to workingmen. Let us suppose that this sum is loaned for the erection of \$1000 houses. Under the law the borrowers must themselves furnish one tenth of the money required, or in each case \$100. The company thus lends but \$900 to each borrower, and is therefore able to make 61 loans, leaving a small balance in its possession. As fast as these transactions are concluded the general savings bank will make additional advances equal to three fifths of the value of the property, or \$600 in each case and \$36,600 altogether. These sums are again lent out together with the money received through the regular installments and interest paid by the borrowers; and so the operations of the company continue indefinitely, the security of the savings bank remaining always proportionately great.

The general rate of interest charged by the bank on its loans to the societies is fixed at 3 per cent. It is specially provided, however, that in case of joint-stock loan companies which voluntarily limit their dividends to 3 per cent. and thus have partly the character of philanthropic organizations, the rate is reduced to 2½ per cent.¹ The rate of interest charged by the companies

¹In 1892 the further condition was imposed that they should require all workingmen borrowing from them to contract life insurance with the bank.

on their loans to workingmen, however, is usually at the rate of 4 per cent., a slight increase being necessary in order to meet the expenses of operation.

Though the law authorizing this system was enacted in 1889, it was not until 1891 that the decree establishing the particular conditions under which it would be administered was published, and the system went into actual operation. From the time when work actually began, however, complete success has been achieved, and, as was shown in the table giving the form of investment of the funds of the bank during recent years, the extent of operations under the law is constantly increasing. The number of companies of each kind which had obtained loans from the bank and the amount of their loans on December 31, 1898, are shown in the following statement :

	Number	Amount of loans
Joint-stock loan companies - - - - -	86	22,340,050.00
Joint-stock building companies - - - - -	25	1,052,427.50
Co-operative loan companies - - - - -	8	1,708,439.98
Co-operative building companies - - - - -	1	24,500.00
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Total - - - - -	120	25,125,417.48

From this statement it will be seen that the general savings bank had outstanding on December 31, 1898, loans of over 25 million francs to companies whose exclusive work was the provision of workingmen's houses.

One of the most significant points brought out, however, is the comparatively slight extent of the work of co-operative societies. This is a demonstration of the necessity that existed for the assistance of the workingmen through the organization of societies by the wealthier classes. The education of a people in such matters as this is slow; as time goes on, greater dependence can possibly be placed on the workingmen themselves. It is to be remarked, however, that the joint-stock companies have almost exclusively been organized for philanthropic purposes. Of the total amount borrowed from the bank, 23,515,040 francs was at $2\frac{1}{2}$ per cent., thus showing that most of the

companies had limited their maximum dividends to 3 per cent.

We now turn to the third, and, in some respects, most interesting feature of the system created by the law of 1889, that whereby workingmen who are acquiring houses through the system of partial payments, at the same time insure their lives in the general savings bank for the balance of the purchase price that may be due if they die before their houses are fully paid for. The purpose of this operation is obvious. A great hardship involved in the practice of buying a house through installments running a considerable number of years is the danger that the purchaser may die before the final payment is made, the result often being that the house must be sold to save the lender from loss, thus leaving the workingman's family unprovided for.

The system here inaugurated completely guards against this contingency. The law provides that there shall be created in the general savings bank a special service through which purchasers of houses from companies affiliated with the bank can at the time of making their contract, insure themselves against the contingency of their death occurring before their houses are paid for. This is done in the following way. When undertaking to acquire a house, the purchaser takes out with the general savings bank an endowment policy for the value of his loan to run for the period of time that installments must be paid for the purchase of the house. Thus, under the general scheme of an endowment policy, the bank will pay at the end of the period or upon the death of the insured, if it occurs before that time, a sum equal to the amount borrowed by the workingman from the loan or building company. To the premium required by this policy must be added the 4 per cent. interest paid to the loan company for the money advanced by it in order to ascertain the total installments required from the purchaser.

Published tables show exactly the amount of annual payments required under contracts of this kind running for 10, 15, 20, and 25 years. In separate columns are shown for each age from 21

to 55 years, the amount of the insurance premium, the amounts of the installment payments, with and without insurance, and the net cost of the insurance. These tables, though interesting, are too lengthy to be reproduced. The following explanation, however, will make clear their construction and use.

It is desired to find the annual payments required of a workingman purchasing a house through installments running a period of 10 years, the total obligation incurred being \$1000, according to whether life insurance is taken out or not. According to general insurance principles, the premium required on an endowment policy of \$1000 running 10 years is from \$91.83 to \$102.20, according to the age of the insured. Under this policy there will be paid by the general savings bank at the end of 10 years or on the death of the insured \$1000, the exact sum required to liquidate the loan contracted by him in order to purchase his house. In the meantime, however, he has borrowed the \$1000 from the loan company to pay for the house. Upon this he must pay 4 per cent. interest, or \$40 a year. His total payments under this arrangement are thus from \$131.83 to \$142.20, according to his age.

If no insurance is contracted the annual installments required to meet the interest and liquidation of the principal in 10 years are \$123.29. Subtracting this from the total payments required under the insurance system, it will be seen that the actual cost of the insurance is but the small sum of \$8.54 for men 21 years of age, but naturally increasing with the age of the borrowers, amounting to \$18.91 for those 55 years old. It should be remembered that under either of these arrangements the purchaser enters into immediate possession of his house, and therefore has no rent to pay. The advantages of the insurance scheme are so manifest that it has been almost exclusively selected. This is seen from the following statement showing the number of loans made to workingmen outstanding each year since the inauguration of the system, and the number with insurance.

Year	Number of loans	Number with insurance	Year	Number of loans	Number with insurance
1891.....	52	11	1895.....	4,360	3,443
1892.....	753	473	1896.....	6,110	4,914
1893.....	1,764	1,364	1897.....	8,078	6,560
1894.....	2,921	2,306	1898.....	10,712	8,601

In concluding this necessarily lengthy account of this branch of the operations of the general savings bank, one cannot refrain from expressing admiration for the ingenuity and skill with which the details of the system were worked out to meet the peculiar conditions and characteristics of the Belgian workmen. The committees of propaganda take account of the lack of initiative among the workingmen and prevent the law from remaining a dead letter. They at the same time act as boards of information to the savings bank in regard to the standing and management of the societies wishing to obtain loans from it. Secondly, the policy of dealing only with companies acting as intermediaries between the bank and the workingmen, not only increased the security of the bank and shifted the great burden of looking after the details of loaning the money to workingmen, its repayment in small installments, and the like, but left the real work of providing and operating the machinery of building and loan societies to private initiative, where it properly belongs. Finally, in its scheme of combining life insurance with the contract of workingmen to purchase homes, it introduced the most valuable device brought forward in recent years in connection with the effort to improve the housing conditions of the working classes.¹

Loans to the agricultural classes.—The problem of so-called agricultural credit is world wide. With the increasing use of credit in business transactions the difficulty with which it is obtained in the rural sections has been felt as a peculiar hardship. Throughout Europe efforts have been made to develop credit

¹ This system, it may be remarked, has been introduced into the United States by Dr. Gould in the City and Suburban Home Company of New York City.

institutions peculiarly suited to the farming class. As we have seen in our historical sketch, the first action taken in this direction by the general savings bank was in 1884. The system then created and afterwards extended by the law of 1894 is similar in many respects to that just described in advancing money for workingmen's houses, and therefore can be briefly described. The same leading principle of loaning only through intermediary societies is here followed. The farmers are encouraged to form mutual or co-operative credit societies, and loans are made to them by the bank. The details of the system under which the loans are made, and the guarantees against loss, are too complicated to permit of our entering upon their consideration here. The general system is that of our building and loan associations in advancing money to members.

For a number of years this part of the operations of the bank developed but slowly. Within recent years, however, the progress has been much more rapid. This has been due to the passage of the law of 1894, specially favoring co-operative credit societies. The interest originally charged by the bank on its loans was 4 per cent. In 1895 the rate was reduced to 3.75 per cent. for loans over 10,000 francs in amount and 3.50 for loans under that amount. The development of the system is shown in the amount loaned by the general savings bank to these societies. It increased, as we have seen, from 2,104,000 francs in 1893 to 4,470,000 francs in 1898. In this last year the number of co-operative credit associations recognized by the bank was 204, an increase of 39 over the preceding year. The indications, indeed, point to a decided growth in the system in the immediate future.

Old-age and invalidity insurance.—Turning now to the study of that part of the operations of the bank which relate to the provision of insurance against old age and invalidity, we in fact undertake the examination of what is almost an independent institution. This branch was created fifteen years before the general savings bank came into existence, and even after the two services were put under one management, their operations

and accounts were kept as distinct as if they were under separate administrations.

The essential character of the system of workingmen's insurance here provided has changed but little in the nearly fifty years of its history. The object of the bank is to offer an institution in which individual workingmen can provide for a pension in their old age, or when invalidated for labor, through small payments made during the active period of their lives, or in which large employers of labor, such as railroad or mining companies, so desiring, can insure all of their employees at the same time. In principle and practice the bank is purely voluntary in operation as regards its use either by employers or employees, and is self-supporting.

The distinction between individual insurance or that taken out by the workingmen themselves, and collective, or that secured by the employers, is an important one. The plan of individual insurance is, in general, such as would be offered by a private insurance company. The chief difference lies in the provision that depositors are not required to contract for a certain fixed pension, which would thus necessitate the regular payment of certain premiums. Each depositor is left entirely free as to the amount of his payments. A separate account is opened with each, and he then makes deposits as he is able. Each deposit gives a right to a pension, the value of which is determined according to the age of the depositor. The sum of these pensions constitutes the amount of the annuity to which he will ultimately be entitled. Each depositor thus knows at all times, by consulting the tables of the bank and his account book, the amount of the pension to which his payments entitle him.

The minimum age at which pensions begin to run is fixed at 50 years, but can be deferred until the depositor is 65 years of age, in which case, of course, the amount of the pension is proportionately increased. In case of invalidity resulting in inability to work, before the depositor reaches the age of 50 years, a pension is paid, the value of which is determined according to the amount of the payments that have been made and the age

of the depositor. In order to limit the work of this service strictly to the working classes, the maximum pension that can be acquired is limited to 1200 francs.

In both individual and collective insurance a choice is offered between two kinds of insurance; that obtained when the depositor desires his payments to be considered as alienated (*capital aliéné*), and that when he desires it to be considered as reserved (*capital réservé*). In the first case, provision is made simply for the constitution of an annuity after the depositor has reached the required age. In the second, the additional provision is made that on the death of the depositor all deposits that he may have made will be repaid without interest to his heirs, the principle of life insurance thus being combined with that of old-age pensions. It is needless to say that the same amount of deposits will give a right to a much larger pension in the former than in the latter case. The following table, published by the bank, will show the value of the old-age pension earned by depositors making a regular monthly payment of one dollar, according to the system of insurance selected, the age at which the first payment is made, and the age when the owner elects to enter upon its enjoyment:

Age at first payment	Alienated capital				Reserved capital			
	50 years	55 years	60 years	65 years	50 years	55 years	60 years	65 years
6	\$105.32	\$160.06	\$255.84	\$440.61	\$64.65	\$97.02	\$153.31	\$261.48
10	86.81	132.89	213.51	369.04	51.94	78.36	124.25	212.35
12	78.56	120.78	194.63	337.13	46.37	70.18	111.49	190.80
15	67.27	104.20	168.83	293.50	38.87	59.18	94.37	161.84
20	51.07	80.43	131.80	230.89	28.44	43.87	70.52	121.51
25	37.74	60.86	101.31	179.34	20.20	31.74	51.64	89.59
30	26.82	44.83	76.33	137.13	13.72	22.26	36.85	64.58
35	17.88	31.71	55.90	102.57	8.72	14.91	25.40	45.24
40	10.60	21.01	39.25	74.41	4.90	9.31	16.69	30.50
45	4.71	12.38	25.79	51.67	2.07	5.14	10.19	19.52
50		5.46	15.01	33.45		2.11	5.48	11.55
55			6.51	19.07			2.18	5.99
60				8.07				2.29
64				1.40				0.37

The history of the operations of this system shows a steady but slow extension of its work during the first five years of its

existence. Within the last four or five years, however, during which the subject of workingmen's insurance has attracted increased attention, the progress has been much more rapid. The annual reports, probably on account of the difficulty of determining at a given time the number of persons embraced under the contracts for collective insurance, do not show the number of existing accounts, but only the number of new accounts opened during the year. This latter information, however, shows the great rapidity of the movement during the past few years. During the past decade, 1889-1898, the number of new accounts opened during each year were 917, 1750, 3642, 3874, 3525, 4438, 5790, 10,549, 17,159, and 43,873.

This very rapid progress during the past two or three years has been almost entirely due to the increased extent to which the large employers of labor and the various local governments are making use of the bank for the insurance of their employees. Thus, while in 1893 but 4 communes and provinces insured their employees in this way, their number rose in 1894 to 12, in 1895 to 30, in 1896 to 69, and in 1897 and 1898 to 144. The number of industrial and transportation companies doing the same increased during this period from 24 to 35. In point of fact, the work done by this insurance institution is of little importance as far as individual insurance is concerned, but is constantly increasing in the much more important branch of collective insurance.

The number of persons drawing pensions is naturally increasing from year to year. In 1895 their number was 2608; in 1896, 2810; in 1897, 3056, and in 1898, 3332. The annual payments required on the 3332 pensions in force December 31, 1898 amounted to 1,239,585.84 francs, the average value of the pension thus being slightly over 372 francs.

Life insurance.—But a very brief statement is required concerning this, the fourth service of the general savings bank. The provision of life insurance apart from that furnished in connection with loans for building workingmen's houses, was not authorized until June 21, 1894, and did not go into operation until 1896. The system has thus but barely commenced operations.

The law of 1894 directs the organization of an independent service under the General Savings Bank, for the provision of life insurance. The scheme devised offers to those desiring to contract insurance, a choice between three kinds of policies: that of, first, straight life, the payments of premiums, however, ceasing to be required after the insured reaches the age of 55, 60, or 65 years, as may be desired; second, mixed or endowment, where the policy is paid either upon death or upon the expiration of the endowment period, which may be 10, 15, 20, or 25 years; and third, the same policy except that it becomes payable upon the person insured reaching the age of 55, 60, or 65 years, as may be agreed upon, instead of at the end of a certain term of years.

Applicants must be at least 21, and not over 55 years of age, and pass the usual medical examination. Premiums are paid annually. Under no circumstances can a policy be forfeited. In case of nonpayment of premiums the policy is converted into one fully paid up, for the benefit of its holder. The tables of premium rates are constructed upon the basis of the English Life Table No. 3, 3 per cent. and 3 per cent. additional to meet operating expenses. The following table shows the value of the policy acquired through the annual payment of ten dollars under each form of contract according to these premium tables:

	Age at first payment					
	21	25	30	35	40	45
Straight life:						
Policy fully paid up at age 55 years	498.17	437.17	362.55	289.29	217.35	146.30
Policy fully paid up at age 60 years	525.56	467.21	396.33	327.38	260.51	195.67
Policy fully paid up at age 65 years	545.77	489.38	421.26	355.49	292.36	232.10
Endowment:						
Policy matures in 10 years -	108.89	108.47	107.82	106.96	105.74	104.00
Policy matures in 15 years -	169.80	168.57	166.69	164.14	160.56	155.47
Policy matures in 20 years -	233.42	230.73	226.50	220.75	212.18	201.97
Policy matures in 25 years -	297.97	292.74	284.65	273.74	259.06	
Policy matures at age 55 years -	402.60	346.87	280.44	217.50	158.18	102.46
Policy matures at age 60 years	455.46	399.74	333.10	269.67	209.66	153.18
Policy matures at age 65 years -	499.66	444.39	378.20	315.05	255.24	199.00

Operations under this system began July 24, 1896. During the balance of the year but eleven policies for a total capital of 50,931.50 francs were taken out. On December 31, 1898, there were in force 403 policies for a total of 1,580,452.30 francs. Of these, 296 were for straight life, and 107 for endowment policies. These figures would seem to indicate that the system of life insurance here offered is progressing but slowly. It is as yet, however, too early to foresee the ultimate importance that it may attain.

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